

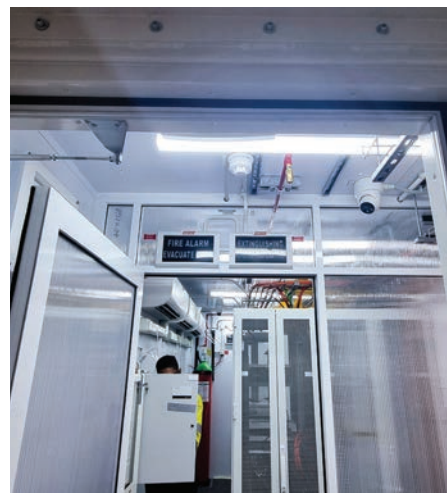
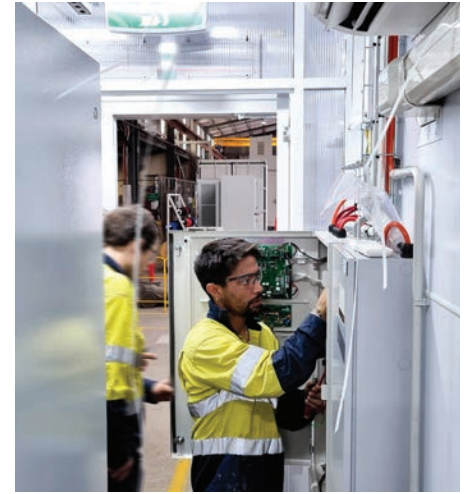
FINANCIAL REPORT

For the year ended 30 June 2023

DXN Limited
(ACN 620 888 548)



Visit our website dxn.solutions





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VISION AND MISSION

OUR VISION:

To define the EDGE by bringing critical communication infrastructure closer to our customers.

OUR MISSION:

We will be Australia's leading edge infrastructure company for colocation and turnkey solutions, building the best modular solutions safely, creating value for our customers, staff and shareholders.



OUR KEY VALUE PROPOSITIONS:

DESIGN

Deep domain knowledge in house skills including mechanical electrical and structural engineering.

BUILD

Australian owned Prefabricated Modular manufacturer with the highest quality standards that the data centre industry expects.

OPERATE

Secures, Maintains and Operates critical infrastructure.

CERTIFICATIONS AND GLOBAL STANDARDS



CORPORATE DIRECTORY



DIRECTORS

Peter McGrath

(Non-Executive Director and Chairman)
(appointed on 25 November 2022)

Tim Hannon

(Non-Executive Director)
(appointed on 27 March 2023)

Brendon Power

(Non-Executive Director)
(appointed on 27 March 2023)

COMPANY SECRETARY

Andrew Metcalfe

REGISTERED OFFICE

5 Parkview Drive
Sydney Olympic Park NSW 2127
Telephone: 1300 328 239

PRINCIPAL OFFICE

3 Dampier Road
Welshpool WA 6106
Telephone: 1300 328 239

SHARE REGISTRAR

Automic Pty Ltd

Level 5
191 St Georges Terrace
Perth WA 6000

AUDITORS

Moore Australia Audit (WA)

Level 15 Exchange Tower
2 The Esplanade
Perth WA 6000

SOLICITORS

Thomson Greer Lawyers

Level 23, Rialto South Tower
525 Collins Street
Melbourne VIC 3000 Australia

Arnotts Technology Lawyers

Level 8, 23 Hunter Street
Sydney NSW 2000

BANKERS

ANZ

15 Hutton Street
Osborne Park WA 6017

Westpac

341 George Street
Sydney NSW 2000

STOCK EXCHANGE LISTING

DXN Limited shares are listed on
the Australian Securities Exchange
(ASX code: DXN, DXNOD)

WEBSITE

<https://dxn.solutions>

CORPORATE GOVERNANCE STATEMENT

The Directors and management are committed to conducting the business of DXN Limited in an ethical manner and in accordance with the highest standards of corporate governance. DXN Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found on the Company's website at <https://dxn.solutions/corporate-governance/>



LETTER FROM THE CHAIRMAN AND CEO

We are pleased to present DXN's FY23 Annual Report, covering the 12-month financial reporting period ending 30 June 2023.

FY23 was a year of structural change for the company. DXN welcomed a new board in March 2023, which has experience with data centres, telecommunications and capital markets and chaired by Peter McGrath.

This strategic change was key to execute the best outcome for DXN shareholders, which resulted in shifting focus to four key targets:

- 1.** Reviewing strategic sale of assets that no longer fits the DXN business model – where DXN announced to look at strategic intention of selling or divesting from key data centre assets.
- 2.** Focusing on EBITDA cost saving activities across the businesses.
- 3.** Focusing on our core competency with modular data centres and ensuring the business unit grows.
- 4.** Focussing on cash and capital management.

In FY23, DXN achieved a total revenue of \$7.75m which included revenues from both modular manufacturing and data centre operations.

While the first two quarters of FY23 was focused on the sale of the business assets to Flow Digital Infrastructure (Flow), which did not eventuate due to condition precedence not being met, DXN however re-negotiated the sale agreement into an international distribution agreement with Flow, whereby Flow resells DXN's modular data centre into the APAC market. DXN also continues to provide consultancy services to support the sales activities in the region. The uncertainty during the period from customers around the proposed sale of the DXN business to Flow Digital and subsequent termination of the business sale agreement, resulting in many customers delayed discussions and decisions

In 2H FY23, following the appointment of the new board, DXN increased its focus on sales of modular manufacturing sales and improving modular EBITDA contribution which resulted in key announcements on modular manufacturing deals including Anglo American, Pilbara Minerals, Flow Digital's first module order and most recently Timor Government cable landing. During the half, DXN also initiated cost savings across the company, which will benefit FY24 financial performance. At the end of the financial year, DXN undertook a significant write down of a number of assets predominantly related to assets at the Sydney (SYD01) data centre to better align values to the future strategic objectives outlined above in exiting data centres. The company has also significantly tightened its cash management as it progresses the sale of key asset and during this period has maintained continued support from its key lender.



DXN DESIGNS, BUILDS, OWNS AND OPERATES DATA CENTRES.

DXN currently designs, builds, owns and operates data centres. DXN has two complimentary businesses – Edge Modular Data Centre Manufacturing and Edge Data Centre Operations.



Modular manufacturing

-prefabricated modular data centre solutions that are scalable, purpose built and rapidly deployable for customers globally.



Data centre operations

- offers a highly secure environment for mission critical computing infrastructure with three operational data centres – Sydney (SYD01), Hobart (TAS01) and SDC Darwin

As mentioned above, DXN's strategy includes the sale of key data centre assets.



MODULAR MANUFACTURING

The DXN team are proud to have contracted 42 modules over the past 3 years and we continue to get into new market segments that grow and continue to have a need for prefabricated modular data centres. Edge data centres target markets include mining, gas and energy, subsea, telecommunications and government, including defence, but as the need for high density power requirements at the edge continue to grow driven by Artificial Intelligence (A.I.) at the edge, this results in further opportunity for DXN in the modular data centre space.

During FY23 DXN signed on and deployed design and build orders for major Tier 1 customers such as Belau Submarine Cable Company (BSCC), Covalent Lithium, Centre of National Resilience in Perth through Multiplex, several large global internet companies, Anglo American, Pilbara Minerals and Flow Digital.

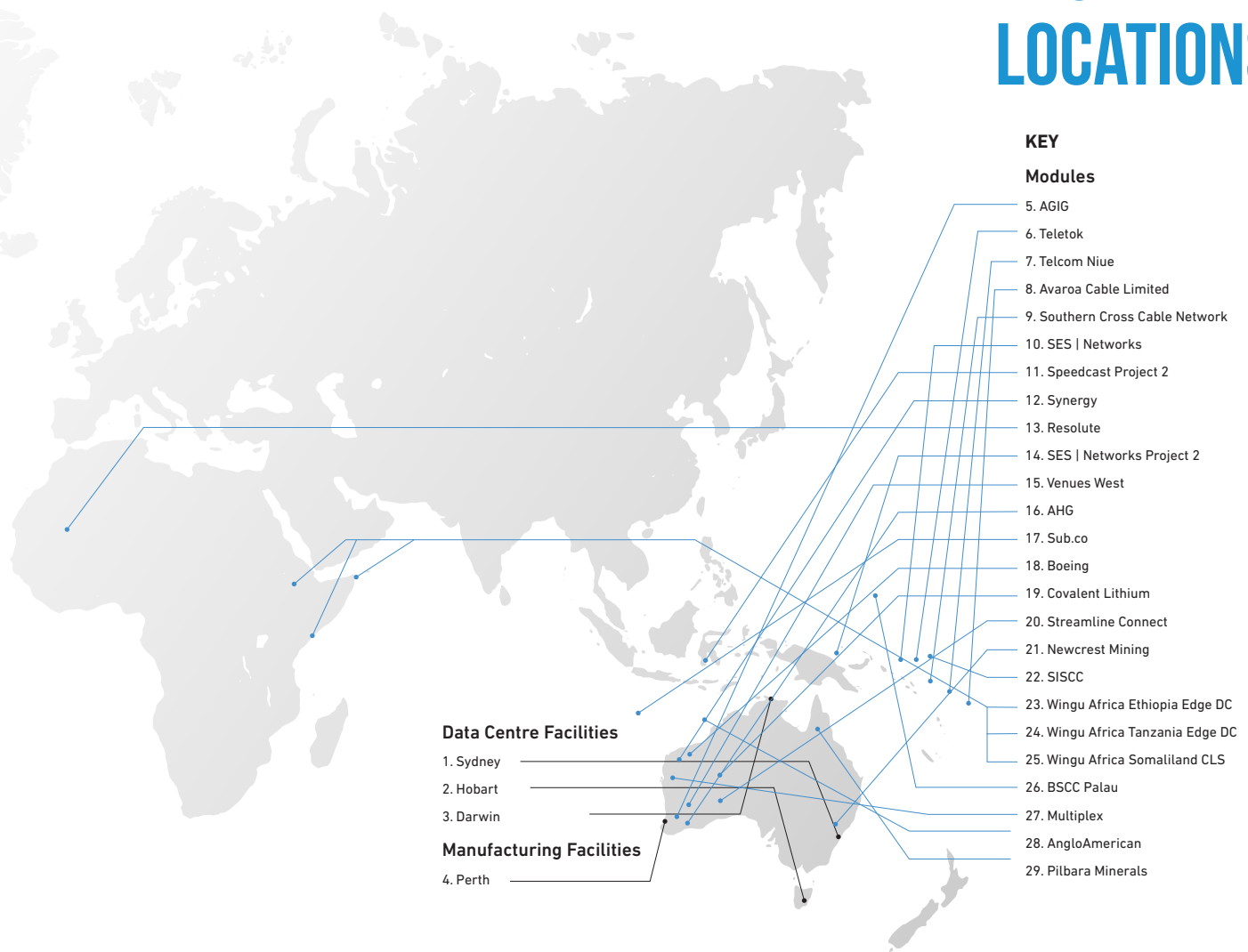
During FY23, DXN implemented various operational processes to track and improve its margins for its modular manufacturing business. This includes implementing systems (financial and operational) in place to improve its margins on projects. DXN has a good view of their build costs across its supply chain and continues to apply improvements to the back-end.

DXN's longer term strategy in this space is to continue to deliver the high-quality solutions that the company is renowned for globally, focusing particularly on the Asia Pacific region, and to develop new business models to suit our customer requirements, such as Edge-as-a-Service which will provide DXN recurring revenues.

In FY23, DXN also worked on significant R&D projects driven by customer demand, including modular data centre requirements for high density rack blockchain customers as well as prefabricated indoor solutions for telecom exchanges, which we see as a potential growth option in the coming years.

As an Australian manufacturer based in Western Australia, with our manufacturing plant based in Welshpool, DXN practises a high standard to our workplace health and safety requirements and compliances.

DEPLOYMENT LOCATIONS



DATA CENTRE OPERATIONS

DXN worked to integrate our data centre businesses across the three geographies, Sydney, Hobart and SDC Darwin. Operational efficiencies have been achieved, including improved processes, and we introduced innovative new cloud products into our data centres resulting in new customers.

Both DXN's acquired data centre in Tasmania TAS01 and SDC Darwin continues to perform consistently and to expectation in FY23.

In FY23, DXN announced it continues to look for various options to sell or divest some of its data centre assets to optimise performance of the company and improve EBITDA. The DXN board are considering various options for these assets.

LOOKING TO THE FUTURE

DXN continues to attract blue-chip Australian and international customers into our customer portfolio. During FY23 we added some key customers as well as global internet companies to the portfolio.

As the demand for digital infrastructure grows as we are seeing globally, and the needs of the network continue to evolve, the opportunity for Edge data centres continue to grow.

This will be further driven by the rise of Artificial Intelligence (A.I.) and Machine Learning. Customers are demanding high quality quick deployments in a backdrop of long lead times for data centre deployments, and as such the prefabricated modular data centre continues to fill this demand.

In FY24, the DXN board and management will continue to focus on sale of key data centre and loss-making assets to improve the capital structure of the business to support future growth. In addition, the company will maintain its focus on margin improvement and cost efficiencies to improve the EBITDA of existing business to improve DXN's results for FY24.



Shalini Lagrutta
Chief Executive Officer



Peter McGrath
Non-Executive Chairman

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of DXN Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

DIRECTORS

The following persons were directors of DXN Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter McGrath (appointed on 25 November 2022)

Tim Hannon (appointed on 27 March 2023)

Brendan Power (appointed on 27 March 2023)

Richard Carden (resigned on 25 November 2022)

John Baillie (resigned on 27 March 2023)

John Dimitropoulos (resigned on 27 March 2023)

PRINCIPAL ACTIVITIES

DXN's Data centre manufacturing division engineers, constructs and commissions data centre solutions globally. The Group's data centre infrastructure has a wide range of applications, which includes edge data centres and telecommunications applications (satellite, and cable landing stations). The Group's prefabricated construction method reduces the on-site labour time and time to deploy and improves quality. DXN's Data centre manufacturing solutions are ideal for rapid deployment in both urban and remote locations.

DXN's Data centre operations division provide space, power, cooling, and physical security for clients to house their computer servers and related storage and networking equipment. The Company has data centre operations in Sydney, Darwin and Tasmania. The data centre operations in Darwin (Secure Data Centre) have now been classified as 'discontinued operations' – see note 9 for further details.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

The loss for the Group after providing for income tax amounted to \$9,612,620 (30 June 2022: loss of \$6,902,449).

FY2023 sales to customers were down 57.4% from FY2022 mainly due to uncertainty during the reporting period from customers following announcement of the proposed sale of the DXN business to Flow Digital and subsequent termination of the business sale agreement which resulted in many customers delayed discussions and decisions on their data centre requirements. Following the update announced on 28 December 2022, that uncertainty was removed and customers resumed engagement with DXN as evidenced by an increase in sales activity in 2H FY23 and subsequent ASX announcements during 2H FY23.

DXN reported a 56.7% gross margin in FY23, an improvement of 26.5% on FY22 gross margin of 30.2%. This was mainly due to the upfront cash contribution from the Flow Exclusive Global Distribution License Agreement ('EGDLA') and Exclusive Global Consulting Services Agreement ('EGCSA'), as well as funds received from the R&D tax offset.

During FY23 DXN undertook a number of cost reduction initiatives (especially in 2H FY23), which will be further realised in FY24.

As reported above, following the uncertainty impacting sales in 1H FY23, DXN showed modular sales manufacturing results during 2H F23 namely:

- On 3 April 2023, DXN entered into a contract with the Australian arm of global mining company AngloAmerican to fabricate and supply a modular data centre for a total value of \$1 million.
- On 3 May 2023, DXN received a purchase order for US\$392,885 (approximately AUD\$590,000) for the first DXN Module from Flow2Edge Holdings I Pte Ltd ('Flow2Edge') as part of its Exclusive Global Distribution Licence Agreement targeting the international export market (excluding Australia) for DXN data centre modules.
- DXN also entered into an additional sales support arrangement with Flow2Edge for an annualized value of AUD\$362,400 as part of its Exclusive Global Distribution Licence Agreement to support Flow2Edge edge data centre expansion across Asia Pacific (excluding Australia).
- On 30 June 2023, DXN announced that it has executed a contract for 2 x Modular data centres with Pilbara Minerals Ltd (ASX: PLS) totalling \$1.8 million.

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific items. The directors consider EBITDA to reflect the core earnings of the Group. The Group's reconciliation of EBITDA to statutory net loss after tax for the current and previous financial year is as follows:

	2023 \$	2022 \$	Change \$	Change %
Sales to customers	6,576,190	15,386,453	(8,810,263)	(57.3%)
Cost of goods sold	(2,844,872)	(10,735,205)	7,890,333	(73.5%)
Gross margin	3,731,318	4,651,248	(919,930)	(19.8%)

Other income	1,175,180	995,745	179,435	18.0%
Less: other operating expenses	(9,833,211)	(7,461,945)	(2,371,266)	31.8%
EBITDA	(4,926,713)	(1,814,952)	(3,111,761)	171.5%

EBITDA	(4,926,713)	(1,814,952)	(3,111,761)	171.5%
Depreciation and amortisation expenses	(3,117,999)	(3,704,379)	586,380	(15.8%)
Foreign exchange income	118	63,475	(63,357)	(99.8%)
Equity-settled employee costs	(36,670)	(182,273)	145,603	(79.9%)
Finance expenses	(1,531,356)	(1,264,970)	(266,386)	21.1%
Finance income	-	650	(650)	(100.0%)
Net loss after tax	(9,612,620)	(6,902,449)	(2,710,171)	39.3%

Data centre manufacturing

- During the reporting period, DXN continued to design, build and deploy orders for major Tier 1 customers such as Sub.co, Belau Submarine Cable Company (BSCC), Covalent Lithium, Mawson Infrastructure, Telstra, Centre of National Resilience in Perth through Multiplex, and several large global internet companies.
- On 28 November 2022 DXN announced that it had entered into an EGDLA and EGCSA with Flow2Edge Holdings I Pte Ltd (Flow). The EGDLA is a contract for a minimum of 10 modules per year (for exclusivity to continue on a yearly basis) for 10 years with an exclusivity fee of \$2 million while the EGCSA is a consulting contract for \$1.5 million over 3 years. DXN has since received \$2 million in cash as part of the exclusivity and licensing fees associated to the EGDLA. Further, DXN has also received the first quarterly payment of \$125,000 related to the EGCSA.
- The continued growth of subsea cables within the region, as well as the increases in automation in the resources sector and new applications of technology linked Edge Data Centres, all feed the greater demand for DXN's prefabricated modular data centres for customers.
- DXN focuses on our core business of Data centre manufacturing, underpinned by the EGDLA with Flow, as well as potential new modular manufacturing opportunities within Australia.

Data centre operations

- During this reporting period, DXN initiated a restructure to its Data Centre Operations division with Darwin (Secure Data Centre) being classified as 'discontinuing operations – held for sale'.
- DXN's Board continues to investigate strategic options for its SYD01 data centre with a renegotiation of the lease with the landlord as well as sub-lease options and bringing on new customers.
- DXN's TAS01 Hobart Data Centre and SDC Darwin continues to perform as expected. DXN continues to grow these data centres with additional services and customers especially as Edge data centre demand grow.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

DXN continues to grow and expand the modular manufacturing business in 2H FY23, with several key customer announcements as reported under 'Review of Operations' above.

There were no other significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 21 August 2023, the Company issued 2,025,000 fully paid ordinary shares at \$0.003 per share in lieu of fees payable to a corporate advisor as approved by the Board.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

DXN continues to undertake restructure activities to reduce cost of corporate operating costs and cost of modular manufacturing builds.

DXN expects to generate new sales to customers in FY24 as customers are no longer distracted by the potential change of ownership structure of DXN.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Name:	Peter McGrath (appointed on 25 November 2022)
Title:	Independent Non-Executive Director and Chairman
Qualifications:	B Eng MBA
Experience and expertise:	Peter's business career spans 30 years in telecommunications, ICT and corporate advisory, with over 20 years in senior leadership positions. Peter has been involved in leadership as CEO of a number of major Australian telecommunications firms and he also has extensive experience in equity capital markets and corporate finance. Peter is currently an Executive Director and Chief Executive Officer of Comms Group Limited.
Other current directorships:	Comms Group Limited (CCG) - CEO & MD
Former directorships (last 3 years):	Powerhouse Ventures Limited (PVL)
Special responsibilities:	Member of the Audit & Risk Committee
Interests in shares:	15,511,060 fully paid ordinary shares
Interests in options:	None
Interests in rights:	None

Name:	Tim Hannon (appointed on 27 March 2023)
Title:	Non-Executive Director
Qualifications:	Tim holds a Bachelor of Economics, Postgraduate Finance qualifications and an MBA from Melbourne Business School.
Experience and expertise:	Tim is Managing Director of Natural Capital investment firm Gaia Natural Capital. Tim is also a principal of Conrad Capital Group, a corporate advisory and funds management group. Tim has 25 years' experience in the investment and securities markets. Tim was a former partner of Goldman Sachs where he enjoyed an 18-year tenure, holding roles such as Head of Australian Equities, Head of Real Estate and Co-Manager of Global Real Estate Securities portfolios. Tim was also founder and co-manager of the Goldman Sachs Australian Infrastructure Securities Fund, and co-manager of the award-winning Goldman Sachs Emerging Leaders Fund.
Other current directorships:	None
Former directorships (last 3 years):	Director of Pure Profile and member of the investment committee
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Name:	Brendan Power (appointed on 27 March 2023)
Title:	Non-Executive Director
Qualifications:	Brendan is GAICD and holds an MBA plus various diplomas in various disciplines.
Experience and expertise:	Brendan is the Managing Director of Clear to Work and Safe Food Pro Partners, both large successful private companies in the education, hospitality, and software industries. Brendan is also Chair of Bronco's League Clubs and Power Tynan. Along with these roles Brendan sits on numerous advisory boards. With over 30 years business management experience he is a commercially astute project manager, public speaker and published author with exceptional communication and negotiation skills, an in-depth knowledge of purchasing, wholesaling, retail (including online) and employee engagement. Brendan has a strong, proven history of successful business improvement in a variety of challenging environments and is known for building high-performance teams and cultures, and successfully coaching and mentoring individuals and groups to achieve exceptional results.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit & Risk Committee
Interests in shares:	40,666,666 fully paid ordinary shares
Interests in options:	None
Interests in rights:	None
Interests in rights:	None

Name:	Richard Carden (resigned on 25 November 2022)
Title:	Former Non-Executive Director
Period as director:	Since 4 August 2017
Qualifications:	None
Experience and expertise:	Richard is an Asia based business leader with over 25 years of experience in the telecoms, data centre and IT industry. Richard has a solid track record in driving sales productivity and revenue growth. Richard joined Speedcast in 2013 when the Company had just been acquired for circa \$40 million and as part of the Executive team developed the M&A plus organic growth strategy that allowed the Company to list in 2014 and achieve a market cap of over \$1.5 billion in 2018. Prior, Richard was the Global SVP for Pacnet and responsible for over 300 sales staff and revenues of more than \$800 million. Earlier, Richard spent almost 10 years in Japan in roles that included President & CEO of Verizon, Japan.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former Chairman of the Audit & Risk Committee
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

INFORMATION ON DIRECTORS

Name:	John Baillie (resigned on 27 March 2023)
Title:	Former Independent Non-Executive Director and Chairman
Period as director:	Since 23 May 2019
Qualifications:	Graduate of the Australian Institute of Company Directors (GAICD) and Graduate Diploma (Securities) from the Securities Institute of Australia
Experience and expertise:	John has over 25 years' experience in financial services, including wealth management, corporate advisory, investor relations and private equity capital raisings. John was a Senior Investment Advisor with Shaw and Partners (formally Shaw Stockbroking) for 22 years, with a focus on portfolio management, trading and private equity raisings. In 2015 John established JB & Partners Corporate Advisory that specialises in strategic advice and succession planning for private companies, particularly family businesses. He has advised in a diverse range of industries, including financial services (particularly AFSL issues), FMCG companies, e-commerce and the funeral industry.
Other current directorships:	Wilson Alternative Assets Limited (ASX: WMA)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

Name:	John Dimitropoulos (resigned on 27 March 2023)
Title:	Former Independent Non-Executive Director
Period as director:	Since 1 October 2020
Qualifications:	Bachelor of Business (Accounting and Computer Science) Deakin University and Member of the Australian Institute of Company Directors (MAICD)
Experience and expertise:	<p>John brings over 30 years of extensive international experience in the Telecoms, Media and Technology sectors. Johns' recent stints include assisting internet security giant McAfee in the US with both Corporate Development and Sales Channel optimisation, and as a Corporate Advisor to Korea's SK Telecom's group company's CEOs within SE Asia.</p> <p>John has been involved with, and led, many international acquisitions and divestments in Europe, Asia and the US for numerous US based technology companies. At Real Networks, a Seattle based company where John spent nearly 12 years consulting, he was responsible for assisting in the development of the long term strategy for its Mobile Entertainment division as well as driving M&A activity to deliver over US\$600 million in deals during his tenure.</p> <p>In Australia, John assisted in the foundational work that resulted in Run Property, and in the mid-90's was CEO of the first pre-paid mobile company in Australia. John has financial interests in an online e-commerce company as well as a small cottage manufacturing of Australian products for export.</p>
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Former Chairman of the Remuneration & Nomination Committee
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Andrew Metcalfe was appointed as Company Secretary on 28 March 2023. Andrew (CPA, FGIA, GAICD) is an experienced Chartered Secretary and Governance Adviser with more than 25 years' experience across a broad industry base, having worked with a variety of Board and senior management team of ASX listed companies.

George Lazarou held the position of Company Secretary till 28 March 2023. George is a qualified Chartered Accountant with over 25 years' experience, including 5 years as a partner of a mid-tier accounting firm, specialising in the areas of audit, advisory and corporate services. George has extensive skills in the areas of corporate services, due diligence, independent expert reports, mergers and acquisitions and valuations.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Nomination & Remuneration Committee		Audit & Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Peter McGrath ¹	5	5	1	1	1	1
Tim Hannon ²	4	4	-	-	-	-
Brendan Power ³	4	4	1	1	1	1
Richard Carden ⁴	4	4	-	-	-	-
John Baillie ⁵	7	7	-	-	-	-
John Dimitropoulos ⁶	7	7	-	-	-	-

¹ Peter was appointed on 25 November 2022. Appointed as Chairman on 30 March 2023

² Tim was appointed on 27 March 2023

³ Brendan was appointed on 27 March 2023

⁴ Richard resigned on 25 November 2022

⁵ John Baillie resigned on 27 March 2023

⁶ John Dimitropoulos resigned on 27 March 2023

Held: represents the number of meetings held during the time the director held office.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The KMP of the Group consisted of the following directors of DXN Limited:

- **Peter McGrath** - Independent Non-Executive Director (appointed on 25 November 2022 and appointed as Chairman on 27 March 2023)
- **Tim Hannon** - Non-Executive Director (appointed on 27 March 2023)
- **Brendan Power** - Non-Executive Director (appointed on 27 March 2023)
- **Richard Carden** - Former Non-Executive Director (resigned on 25 November 2022)
- **John Baillie** - Former Independent Non-Executive Director and Chairman (resigned on 27 March 2023)
- **John Dimitropoulos** - Former Independent Non-Executive Director (resigned on 27 March 2023)

And the following persons:

Shalini Lagrutta - Chief Executive Officer (appointed on 18 January 2022);
Global Head of Sales and Marketing (prior to 18 January 2022)

Changes since the end of the reporting period:

Craig Beaton - Head of Finance (appointed on 18 January 2022, date of redundancy 31 August 2023)

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

In consultation with external remuneration consultants as required (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role.

Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 4 August 2017, where the shareholders approved a maximum annual aggregate remuneration of \$500,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term incentives; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the Group's direct competitors. The Nomination and Remuneration Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2023.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the Group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the last five years.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the year ended 30 June 2023, the Group did not engage the services of any external consultants.

Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')

At the 2022 AGM, 95.68% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables.

	Short term benefits				Post-employment benefits		Share-based payments	
2023	Cash salary and fees	Cash bonus	Non-monetary	Commissions	Super-annuation	Termination payments	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
Peter McGrath ⁽ⁱ⁾	40,995	-	-	-	-	-	-	40,995
Tim Hannon ⁽ⁱⁱ⁾	18,076	-	-	-	-	-	-	18,076
Brendan Power ⁽ⁱⁱⁱ⁾	11,308	-	-	-	1,187	-	-	12,495
Richard Carden ⁽ⁱⁱⁱ⁾	21,550			-	-		-	21,550
John Baillie ^(iv)	63,000			-	6,615		-	69,615
John Dimitropoulos ^(iv)	38,925			-	4,087		-	43,012
Other KMP:								
Shalini Lagrutta	300,000			59,776	25,000		36,670	421,446
Craig Beaton	200,000			-	21,000		-	221,000
	693,854			59,776	57,889		36,670	848,189

(i) Represents remuneration from 25 November 2022 to 30 June 2023, appointed as Chairman on 30 March 2023

(ii) Represents remuneration from 27 March 2023 to 30 June 2023

(iii) Represents remuneration from 1 July 2022 to 25 November 2022

(iv) Represents remuneration from 1 July 2022 to 27 March 2023

(v) Represents commission earned on modular data centre manufacturing sales

	Short term benefits				Post-employment benefits		Share-based payments	
2022	Cash salary and fees	Cash bonus	Non-monetary	Commissions	Super-annuation	Termination payments	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors:								
John Baillie	84,000	-	-	-	8,400	-	-	92,400
Richard Carden	51,900	-	-	-	-	-	-	51,900
John Dimitropoulos	51,900	-	-	-	5,190	-	-	57,090
Executive Directors:								
Matthew Madden ⁽ⁱ⁾	158,077	30,000	-	-	16,042	145,163	-	349,282
Other KMP:								
Shalini Lagrutta ⁽ⁱⁱⁱ⁾	272,172	2,396	-	154,110	27,478	-	81,572	537,728
Kristy Challingsworth ⁽ⁱⁱ⁾	98,759	-	-	-	9,171	76,667	-	184,597
Craig Beaton ^(iv)	91,794	-	-	-	9,179	-	-	100,973
	808,602	32,396	-	154,110	75,460	221,830	81,572	1,373,970

(i) Represents remuneration from 1 July 2021 to 14 January 2022

(ii) Represents remuneration from 1 July 2021 to 30 June 2022, appointed CEO 18 January 2022

(iii) Represents remuneration from 19 July 2021 to 10 December 2021

(iv) Represents remuneration from 18 January 2022 to 30 June 2022

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
Peter McGrath	100.0%	-	-	-	-	-
Tim Hannon	100.0%	-	-	-	-	-
Brenan Power	100.0%	-	-	-	-	-
Richard Carden	100.0%	100.0%	-	-	-	-
John Baillie	100.0%	100.0%	-	-	-	-
John Dimitropoulos	100.0%	100.0%	-	-	-	-
Executive Directors:	-	-	-	-	-	-
Matthew Madden	-	91.4%	-	8.6%	-	-
Other KMP:						
Shalini Lagrutta	77.1%	55.7%	14.2%	29.1%	8.7%	15.2%
Kristy Challingsworth	-	100.0%	-	-	-	-
Craig Beaton	100.0%	100.0%	-	-	-	-

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
Name	2023	2022	2023	2022
Executive Directors:				
Matthew Madden	-	100%	-	-

SERVICE AGREEMENTS

Remuneration and other terms of employment for KMP are formalised in service agreements.

Details of these agreements are as follows:

Name:	Shalini Lagrutta								
Title:	Chief Executive Officer (appointed on 18 January 2022); Global Head of Sales and Marketing (prior to 18 January 2022)								
Agreement commenced:	19 January 2022								
Term of agreement:	The employment is continuous until terminated in accordance with the provisions for termination, being by either party with 3 months' notice.								
Details:	<p>There are three components to Shalini's remuneration:</p> <p><i>(i) Gross annual remuneration package</i> Shalini will be paid a base annual remuneration of \$300,000 plus statutory superannuation contributions, which is capped at \$27,500 per annum. The employer may review the employee's performance, remuneration and benefits in accordance with the employer policy from time to time.</p> <p><i>(ii) Short term incentive benefits</i> Shalini will be entitled to receive an STI component of up to \$125,000 based on achieving agreed KPI's.</p> <p><i>(iii) Long term incentive benefits</i> The LTI component has an annual grant value of up to 25% of the executive remuneration package. The number of performance rights and/or options will depend on the share price at the allocation or grant date.</p> <p>On 22 July 2021, Shalini was issued with 8,300,000 performance rights, subject to the following vesting conditions:</p> <p>(a) 3 years of service (continued employment) with the Company from 1 July 2021 to 30 June 2024; and</p> <p>(b) the Company achieving the following Compound Growth in Total Shareholder Return (TSR CAGR) over the 3-year period from 1 July 2021 to 30 June 2024:</p> <table> <tr> <td>TSR CAGR</td><td>% Vesting</td></tr> <tr> <td>Less than 35</td><td>0%</td></tr> <tr> <td>35 – 45%</td><td>50 – 100% on a pro-rata basis</td></tr> <tr> <td>Greater than 45%</td><td>100%</td></tr> </table> <p>In the event of cessation of employment during the 3-year period, without cause, retirement or resignation, the Performance Rights will lapse.</p> <p>In the event of cessation of employment during the 3-year period due to retrenchment, death or disability, the Performance Rights will be pro-rated with Board discretion based on the circumstances.</p> <p>Any Performance Rights that do not vest and become exercisable in accordance with the Vesting Conditions will automatically lapse.</p>	TSR CAGR	% Vesting	Less than 35	0%	35 – 45%	50 – 100% on a pro-rata basis	Greater than 45%	100%
TSR CAGR	% Vesting								
Less than 35	0%								
35 – 45%	50 – 100% on a pro-rata basis								
Greater than 45%	100%								

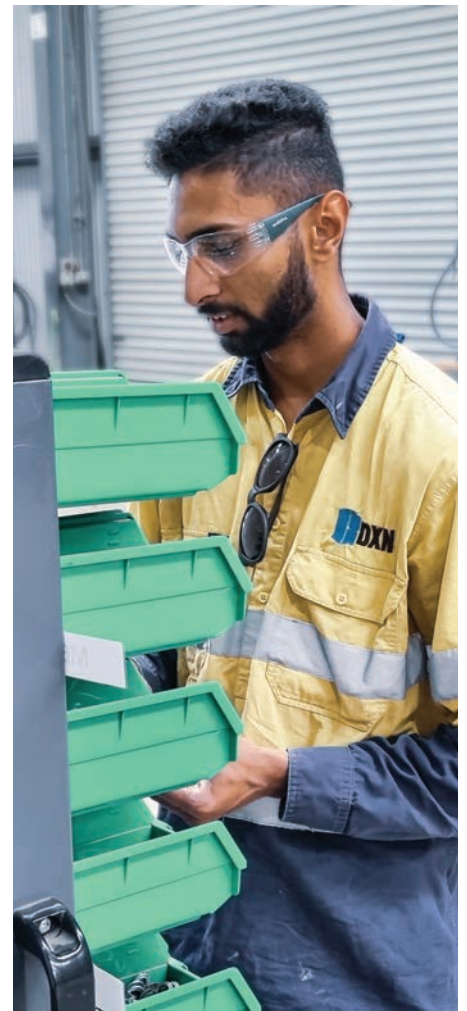
Name:	Peter McGrath
Title:	Independent Non-Executive Director and Chairman
Agreement commenced:	25 November 2022
Term of agreement:	Subject to re-election every 3 years
Details:	<i>From 1 May 2023, the Director receives a fixed director's fee of \$81,770 per annum</i>

Name:	Tim Hannon
Title:	Non-Executive Director
Agreement commenced:	27 March 2023
Term of agreement:	Subject to re-election every 3 years
Details:	<i>From 1 May 2023, the Director receives a fixed director's fee of \$41,900 per annum</i>

Name:	Brendan Power
Title:	Non-Executive Director
Agreement commenced:	27 March 2023
Term of agreement:	Subject to re-election every 3 years
Details:	<i>From 1 May 2023, the Director receives a fixed director's fee of \$41,900 per annum</i>

Name:	Craig Beaton
Title:	Head of Finance
Agreement commenced:	18 January 2022 up to date of redundancy 31 August 2023
Term of agreement:	The employment is continuous until terminated in accordance with the provisions for termination, being 3 months' notice by the employer, or 2 months' notice by the employee.
Details:	<i>Gross annual remuneration package</i> Craig will be paid a base annual remuneration of \$200,000 plus statutory superannuation contributions, which is capped at \$27,500 per annum. The employer may review the employee's performance, remuneration and benefits in accordance with the employer policy from time to time.

KMP have no entitlement to termination payments in the event of removal for misconduct.



SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2023.

Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2023.

Performance rights

There were no performance rights over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2023.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

	Number of rights Number of rights granted	Grant date	Vesting date and exercisable date	Share price hurdle for vesting	Fair value per right at grant date
Name					
Shalini Lagrutta	8,300,000	22 July 2021	14 July 2024	\$0.000	\$0.013

The earnings of the Group for the five years to 30 June 2023 are summarised below:

ADDITIONAL INFORMATION

The earnings of the Group for the five years to 30 June 2022 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Sales revenue	6,576,190	15,386,453	8,035,137	5,188,280	1,403,528
EBITDA	(4,926,713)	(1,814,952)	948,798	-	-
Loss after income tax	(9,612,620)	(6,902,449)	(4,812,631)	(12,590,529)	(7,373,444)

	2023	2022	2021	2020	2019
Share price at financial year end (\$)	0.001	0.005	0.012	0.017	0.044
Basic earnings per share (cents per share)	(0.57)	(0.50)	(0.45)	(2.57)	(3.50)
Diluted earnings per share (cents per share)	(0.57)	(0.50)	(0.45)	(2.57)	(3.50)

ADDITIONAL DISCLOSURES RELATING TO KMP

Shareholding

The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions*	Disposals/other**	Balance at the end of the year
<i>Ordinary shares</i>					
Peter McGrath	-	-	15,511,060	-	15,511,060
Tim Hannon	-	-	-	-	-
Brendan Power	-	-	40,666,666	-	40,666,666
Richard Carden	3,312,500	-	-	(3,312,500)	-
John Baillie	2,634,982	-	-	(2,634,982)	-
John Dimitropoulos	-	-	-	-	-
Shalini Lagrutta	3,383,877	-	-	-	3,383,877
Craig Beaton	-	-	-	-	-
	9,331,359	-	56,177,726	(5,947,482)	59,561,603

* Additions represent shares held at date of appointment

** Disposals/other represents shares held at resignation date

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted Additions*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Shalini Lagrutta	2,000,000	-	-	(2,000,000)	-
Brendan Power*	-	25,000,000	-	(25,000,000)	-
	2,000,000	25,000,000	-	(27,000,000)	-

* Additions represent shares held at date of appointment

Performance rights holding

The number of performance rights in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Shalini Lagrutta	8,300,000	-	-	-	8,300,000

	Vested	Unvested	Balance at the end of the year
<i>Performance rights over ordinary shares</i>			
Shalini Lagrutta	-	8,300,000	8,300,000

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of DXN Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
25/10/2021	22/10/2024	\$0.0140	10,888,857

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of DXN Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of DXN Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
22/07/2021	14/07/2024	\$0.000	8,300,000

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF PERFORMANCE RIGHTS

There were no ordinary shares of DXN Limited issued on the exercise of performance rights during the year ended 30 June 2023 and up to the date of this report.

SHARES UNDER WARRANTS

Unissued ordinary shares of DXN Limited under warrants at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
22/10/2021	15/10/2025	\$0.0200	200,000,000

No person entitled to exercise the warrants had or has any right by virtue of the retention right to participate in any share issue of the Company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF WARRANTS

There were no ordinary shares of DXN Limited issued on the exercise of warrants during the year ended 30 June 2023 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS AND AUDITOR

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 34 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 34 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF MOORE AUSTRALIA AUDIT (WA)

There are no officers of the Company who are former partners of Moore Australia Audit (WA).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



Peter McGrath
Non-Executive Chairman

29 September 2023



Moore Australia Audit (WA)

Level 15, Exchange Tower,
2 The Esplanade, Perth, WA 6000
PO Box 5785, St Georges Terrace, WA 6831

T +61 8 9225 5355

F +61 8 9225 6181

www.moore-australia.com.au

AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF DXN LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Shaun Williams', is positioned above the printed name.

SHAUN WILLIAMS
PARTNER

A stylized, handwritten signature in black ink that reads 'MOORE AUSTRALIA' is positioned above the printed name.

MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 29th day of September 2023

Moore Australia Audit (WA) – ABN 16 874 357 907.

An independent member of Moore Global Network Limited - members in principal cities throughout the world.

Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	Consolidated 2023 \$	2022 \$
Revenue from continuing operations			
Sales to customers	5	5,047,674	14,263,007
Cost of goods sold		(2,467,702)	(10,474,955)
Gross margin		<u>2,579,972</u>	<u>3,788,052</u>
Other income	6	1,119,998	960,032
Interest revenue calculated using the effective interest method		-	650
Expenses			
Acquisition expenses		-	(10,615)
Administration expenses		(420,616)	(341,201)
Compliance and legal expenses		(398,865)	(556,821)
Consultants and contractors		(212,894)	(172,245)
Depreciation and amortisation expenses	7	(2,652,225)	(3,375,701)
Employee benefits expenses		(3,254,300)	(4,496,488)
Impairment of non-financial assets	7	(3,561,289)	-
Impairment of inventories		(494,760)	-
Impairment of receivables	12	(18,311)	-
Loss on disposal of assets		(37,198)	-
Marketing expenses		(23,714)	(17,834)
Occupancy expenses		(641,498)	(878,007)
Research and development expenses		(38,970)	(504,971)
Telecommunication and technology expenses		(157,530)	(143,526)
Travel expenses		(65,378)	(76,481)
Finance costs	7	<u>(1,417,744)</u>	<u>(1,187,646)</u>
Loss before income tax expense from continuing operations		<u>(9,695,322)</u>	<u>(7,012,802)</u>
Income tax expense	8	-	-
Loss after income tax expense from continuing operations		<u>(9,695,322)</u>	<u>(7,012,802)</u>
Profit after income tax expense from discontinued operations	9	<u>82,702</u>	<u>110,353</u>
Loss after income tax expense for the year attributable to the owners of DXN Limited		<u>(9,612,620)</u>	<u>(6,902,449)</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of DXN Limited		<u><u>(9,612,620)</u></u>	<u><u>(6,902,449)</u></u>
Total comprehensive loss for the year is attributable to:			
Continuing operations		(9,695,322)	(7,012,802)
Discontinued operations		<u>82,702</u>	<u>110,353</u>
		<u><u>(9,612,620)</u></u>	<u><u>(6,902,449)</u></u>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	2023 Cents	2022 Cents
Earnings per share for loss from continuing operations attributable to the owners of DXN Limited			
Basic earnings per share	10	(0.57)	(0.51)
Diluted earnings per share	10	(0.57)	(0.51)
Earnings per share for profit from discontinued operations attributable to the owners of DXN Limited			
Basic earnings per share	10	-	0.01
Diluted earnings per share	10	-	0.01
Earnings per share for loss attributable to the owners of DXN Limited			
Basic earnings per share	10	(0.57)	(0.50)
Diluted earnings per share	10	(0.57)	(0.50)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Note	Consolidated 2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	11	710,209	1,924,767
Trade and other receivables	12	221,316	649,672
Inventories/work in progress	13	375,705	1,248,380
Other assets	15	141,436	134,460
		<u>1,448,666</u>	<u>3,957,279</u>
Assets of disposal groups classified as held for sale	19	6,588,989	-
Total current assets		<u>8,037,655</u>	<u>3,957,279</u>
Non-current assets			
Property, plant and equipment	16	1,159,693	7,193,482
Right-of-use assets	17	8,358,447	11,184,958
Intangibles	18	236,942	3,796,859
Bank guarantees and deposits	14	265,302	528,917
Other assets	15	423,333	608,333
Total non-current assets		<u>10,443,717</u>	<u>23,312,549</u>
Total assets		<u>18,481,372</u>	<u>27,269,828</u>
Liabilities			
Current liabilities			
Trade and other payables	20	976,154	2,503,210
Contract liabilities	21	698,271	332,507
Borrowings	22	143,844	58,971
Lease liabilities	23	716,011	728,679
Employee benefits	24	148,343	156,743
Income in advance	25	416,667	-
Other financial liabilities	26	910,315	850,000
		<u>4,009,605</u>	<u>4,630,110</u>
Liabilities directly associated with assets classified as held for sale	27	1,928,973	-
Total current liabilities		<u>5,938,578</u>	<u>4,630,110</u>
Non-current liabilities			
Borrowings	22	4,113,450	4,000,000
Lease liabilities	23	8,190,144	10,775,981
Employee benefits	24	14,344	16,038
Other financial liabilities	26	400,000	400,000
Total non-current liabilities		<u>12,717,938</u>	<u>15,192,019</u>
Total liabilities		<u>18,656,516</u>	<u>19,822,129</u>
Net (liabilities)/assets		<u>(175,144)</u>	<u>7,447,699</u>
Equity			
Issued capital	28	45,424,949	43,471,842
Reserves	29	1,428,566	1,391,896
Accumulated losses		<u>(47,028,659)</u>	<u>(37,416,039)</u>
Total (deficiency)/equity		<u>(175,144)</u>	<u>7,447,699</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	40,345,107	1,176,956	(30,513,590)	11,008,473
Loss after income tax expense for the year	-	-	(6,902,449)	(6,902,449)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(6,902,449)	(6,902,449)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 28)	3,343,967	-	-	3,343,967
Capital raising costs	(217,232)	32,667	-	(184,565)
Share-based payments (note 29)	-	182,273	-	182,273
Balance at 30 June 2022	<u>43,471,842</u>	<u>1,391,896</u>	<u>(37,416,039)</u>	<u>7,447,699</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2022	43,471,842	1,391,896	(37,416,039)	7,447,699
Loss after income tax expense for the year	-	-	(9,612,620)	(9,612,620)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(9,612,620)	(9,612,620)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares (note 28)	2,125,000	-	-	2,125,000
Capital raising costs	(171,893)	-	-	(171,893)
Share-based payments (note 29)	-	36,670	-	36,670
Balance at 30 June 2023	<u>45,424,949</u>	<u>1,428,566</u>	<u>(47,028,659)</u>	<u>(175,144)</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	Consolidated 2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		8,850,520	16,630,159
Payments to suppliers and employees		(11,034,015)	(17,888,368)
R&D tax incentive claim		1,029,786	826,741
Government grants		67,567	66,162
Interest received		9,356	650
Interest paid		(453,733)	(16,353)
Other income		-	2,034
Net cash (used in) operating activities	41	(1,530,519)	(378,975)
Cash flows from investing activities			
Payments associated with the acquisition of business	39	-	(3,816,574)
Payments for plant and equipment		(136,278)	(24,334)
Payments for intangible assets		(197,786)	(25,272)
Net cash (used in) investing activities		(334,064)	(3,866,180)
Cash flows from financing activities			
Proceeds from issue of shares and options	28	2,125,000	3,143,967
Payment of capital raising costs	28	(171,893)	(202,230)
Finance facility drawn down	41	-	4,000,000
Repayment of finance facility	41	(728,679)	(1,867,716)
Transaction costs related to loans and borrowings		-	(567,210)
Net cash from financing activities		1,224,428	4,506,811
Net (decrease)/increase in cash and cash equivalents		(640,155)	261,656
Cash and cash equivalents at the beginning of the financial year		1,924,767	1,663,955
Effects of exchange rate changes on cash and cash equivalents		(16,319)	(844)
Cash and cash equivalents at the end of the financial year	11	<u>1,268,293</u>	<u>1,924,767</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

Note 1. General information

The financial statements cover DXN Limited and the entities it controlled (together referred to as the 'Group') at the end of, or during, the year. The financial statements are presented in Australian dollars, which is DXN Limited's functional and presentation currency.

DXN Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

REGISTERED OFFICE

5 Parkview Drive
Sydney Olympic Park NSW 2127

PRINCIPAL PLACE OF BUSINESS

3 Dampier Road
Welshpool WA 6106

Other business addresses

40-50 Innovation Drive,
Dowsing Point Tasmania 7010

27 Harvey Street
Darwin NT 0800

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on _____ September 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention except for liabilities for cash-settled share-based payment arrangements which are measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

GOING CONCERN

These financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a loss of \$9,612,620 (2022: a loss of \$6,902,449) for the period ended 30 June 2023 and operating cash outflow of \$1,530,519 (2022: cash outflow of \$378,975). The working capital surplus at balance date is \$2,099,077 (2022: deficit of \$672,831).

Note 2. Significant accounting policies (continued)

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group refinancing debt facilities, securing the sale of assets, successfully raising additional share capital, and generating ongoing revenue from new and existing DC module contracts and data centre operations.

The directors are of the view that there is sufficient working capital in the Group to pay its debts as and when they fall due on the basis that DXN continues to generate ongoing revenues at current levels. The directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Flow EGDLA agreement provides for ongoing revenues from the manufacture of DC modules;
- a developing pipeline of DC manufacturing contracts that generate revenues over a 12-24 months period;
- the sale of Data Centre operations assets (in part or full), provides the opportunity to repay existing debt facilities and recapitalise the modular manufacturing business;
- an increase in Data Centre revenues by introducing additional cloud products and customers;
- a sub-leasing option for the Sydney Data Centre to exit that facility;
- a further containment of certain operating expenditure such as reducing employee, contractor and administrative costs, as required; and
- the continued support of the Group's key financier.

The financial statements have been prepared on the basis that the Group can meet its commitments as and when they fall due and can therefore continue normal business activities, and the realisation of assets and liabilities in the ordinary course of business.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 38.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of DXN Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. DXN Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is DXN Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Data centre services

Revenue is recognised only when the service has been provided, the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Group. Any upfront discounts provided to customers are amortised over the contract term. This approach is considered consistent with AASB 15 in that revenue is deferred and recognised over the term of the contract with the customer. As the performance obligation is fulfilled over time, such revenue is recognised over time.

DXN module sales

The Group custom builds turnkey data centre modules for customers. Revenue is recognised based on key milestones and in proportion to the stage of completion of the work performed at the reporting date. Revenue from these sales is based on the price stipulated in the contract and any agreed variations to the contract sum. Revenue is only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur. As the performance obligation is fulfilled over time, such revenue is recognised over time.

Incremental costs of obtaining a contract that are expected to be recovered are capitalised as a contract asset and amortised over the term of the contract with the customer.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

RESEARCH AND DEVELOPMENT TAX INCENTIVE CLAIM

The Group recognises refundable R&D tax offset as a government grant under AASB120 Government Grants. Such refunds are recognised on an accrual basis only when the amount can be measured reliably, and it is probable that the economic benefits associated with the offset will flow to the Group. Accordingly, revenues from the receipt of refundable R&D tax offset is recognised only at a point in time.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

INVENTORIES

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NON-CURRENT ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

IMPAIRMENT OF FINANCIAL ASSETS

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives at the following rates:

Leasehold improvements	10%-67%
Plant and equipment	13%-73%
Motor vehicles	25%
Office equipment	20%-67%
DC modules	10%-73%
ICT hardware	40%-67%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

RIGHT-OF-USE ASSETS

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development (Module development)

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 17 – 20 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years.

Customer contracts

Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being finite life of 3 years for Tasmania and 10 years for Secure Data Centre.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

CONTRACT LIABILITIES

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

LEASE LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

WARRANTS

Warrants issued by the Group in connection with borrowings are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. The entire financial instrument (being the loan and warrants) is accounted for as a compound financial instrument and for warrants that meet the definition of equity, the debt component is fair valued on initial recognition, and the residual amount is allocated to the equity (warrant) component. There is no subsequent remeasurement of the warrants after initial recognition. For warrants that meet the definition of a financial liability, these are measured at fair value at initial recognition and are subsequently measured at fair value through profit or loss at the end of each reporting period.

EMPLOYEE BENEFITS

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of DXN Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

COMPARATIVE FIGURES

Where required, comparative figures have been adjusted to conform with changes in presentations for the current financial year.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss. Make good provisions are recorded as part of the Group's lease liabilities.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Data centre manufacturing and Data centre operations. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer ('CEO') and the Group's Executive Leadership Team (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The information reported to the CODM on a monthly basis is the segment profit that represents the profit earned by each segment without allocation of the share of central administration costs including directors' salaries, finance income, non-operating gains and losses in respect of financial instruments and finance costs, and income tax expense.

OPERATING SEGMENT INFORMATION

Major customers

The Group has a number of customers to which it provides services and products.

Data centre manufacturing

The Group supplies a number of customers, of which during the year ended 30 June 2023 one accounted for 49.8% of revenue (2022: main customer was 33%). The next most significant contributed 16.02% (2022: 25%).

Data centre operations

The Group supplies a number of customers, of which during the year ended 30 June 2023 one accounted for 75.6% of revenue (2022: main customer was 42%).

The data centre operations of Secure Data Centre in Darwin have been disclosed in this report as 'Discontinued operations' – see note 9.

There were no intersegment sales during the reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 4. Operating segments (continued)

Operating segment information

	Data centre manufacturing \$	Data centre operations \$	Other (Corporate) \$	Total \$
Consolidated - 2023				
Revenue				
Revenue from external customers	3,838,743	2,737,448	-	6,576,191
Other income	1,107,097	41,195	26,887	1,175,179
Total revenue	4,945,840	2,778,643	26,887	7,751,370
Results				
Loss before income tax	(375,371)	(6,592,192)	(2,645,057)	(9,612,620)
Income tax	-	-	-	-
Loss after income tax	(375,371)	(6,592,192)	(2,645,057)	(9,612,620)
Assets				
Segment assets	1,949,774	9,592,075	6,939,523	18,481,372
Total assets				18,481,372
Liabilities				
Segment liabilities	2,724,339	10,038,917	5,893,260	18,656,516
Total liabilities				18,656,516
Consolidated - 2022				
Revenue				
Revenue from external customers	13,131,413	2,255,040	-	15,386,453
Other income	17,237	36,733	941,775	995,745
Total revenue	13,148,650	2,291,773	941,775	16,382,198
Results				
Profit/(loss) before income tax	1,083,518	(4,102,686)	(3,883,281)	(6,902,449)
Profit/(loss) after income tax	1,083,518	(4,102,686)	(3,883,281)	(6,902,449)
Assets				
Segment assets	3,320,218	21,697,912	2,251,698	27,269,828
Total assets				27,269,828
Liabilities				
Segment liabilities	3,599,571	11,394,313	4,828,245	19,822,129
Total liabilities				19,822,129

Assets used jointly by reportable segments are allocated on the basis of the revenues earned by the individual reportable segments.

All revenue is derived in Australia.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 5. Revenue

	Consolidated 2023 \$	Consolidated 2022 \$
From continuing operations		
<i>Revenue from contracts with customers</i>		
Sales to customers	<u>5,047,674</u>	<u>14,263,007</u>

100% of the Group's revenue from external customers is recognised over time.

All revenue is derived in Australia.

Note 6. Other income

From continuing operations

	Consolidated 2023 \$	Consolidated 2022 \$
Research and development tax incentive claim	1,029,786	826,741
Export marketing development grant	36,600	50,959
Government wage subsidies	30,967	17,237
Net foreign exchange gain	118	63,475
Other	<u>22,527</u>	<u>1,620</u>
Other income	<u>1,119,998</u>	<u>960,032</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 7. Expenses

	Consolidated 2023 \$	2022 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation - property, plant and equipment	1,269,203	2,121,831
Depreciation - right-of-use assets	938,325	755,367
Total depreciation	2,207,528	2,877,198
<i>Amortisation</i>		
Amortisation - intangibles	444,697	498,503
Total depreciation and amortisation	2,652,225	3,375,701
<i>Impairment of non-financial assets</i>		
Plant and equipment	3,536,377	-
Intangibles	24,912	-
Total impairment	3,561,289	-
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	710,446	491,562
Interest and finance charges paid/payable on lease liabilities	707,298	696,084
	1,417,744	1,187,646
<i>Leases</i>		
Short-term lease payments	-	140,874
<i>Superannuation expense</i>		
Defined contribution superannuation expense	311,646	302,074
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	2,942,654	4,194,414

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 8. Income tax

	Consolidated	
	2023	2022
	\$	\$
<i>Income tax expense</i>		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	-	-
Aggregate income tax expense	-	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(9,695,322)	(7,012,802)
Profit before income tax expense from discontinued operations	82,702	110,353
	(9,612,620)	(6,902,449)
Tax at the statutory tax rate of 25%	(2,403,155)	(1,725,612)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenditure	60,441	47,243
Non-assessable income	(257,446)	(206,685)
	(2,600,160)	(1,885,054)
Current year tax losses not recognised	1,382,374	1,900,617
Other deferred tax balances not recognised	1,217,786	(15,563)
Income tax expense	-	-

Income tax rate

The tax rate used in the above reconciliation is the corporate tax rate of 25% payable by the Australian base rate corporate entities for 2022 and future financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 8. Income tax

	Consolidated 2023 \$	2022 \$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Carried forward revenue losses	6,056,790	5,075,844
Leases	2,693,995	2,875,694
Plant and equipment	1,014,012	-
Capital raising costs	125,619	241,050
Provisions and accruals	52,970	52,761
Customer contracts	410,793	278,400
Income in advance	104,167	-
	<u>10,458,346</u>	<u>8,523,749</u>
Total deferred tax assets not recognised		

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

	Consolidated 2023 \$	2022 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Carried forward revenue losses	2,536,210	2,796,239
Set off deferred tax liability	(2,536,210)	(2,796,239)
	<u>-</u>	<u>-</u>
Deferred tax asset		

	Consolidated 2023 \$	2022 \$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Right-of-use assets	2,536,210	2,796,239
Adjusted against deferred tax asset	(2,536,210)	(2,796,239)
	<u>-</u>	<u>-</u>
Deferred tax liability		

The tax benefits of the above deferred tax assets will only be obtained if:

- (i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in income tax legislation adversely affect the Group in utilising the benefits.

Note 9. Discontinued operations

Description

DXN's Secure Data Centre in Darwin has been classified in these financial statements as 'discontinued operations' as the Board continues to consider all strategic options to sell its data centre operations assets. DXN has received non-binding indicative offers to acquire its data centre assets and negotiations are in advanced stages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 9. Discontinued operations (continued)

Financial performance information

	Consolidated 2023 \$	Consolidated 2022 \$
Sales to customers	1,528,516	1,123,446
Cost of goods sold	(377,170)	(260,250)
Gross margin	<u>1,151,346</u>	<u>863,196</u>
Other income	55,182	35,713
Administration expenses	(12,338)	(11,411)
Compliance and legal expenses	(8,050)	(2,500)
Consultants and contractors	(250,800)	(167,200)
Depreciation and amortisation expenses	(465,774)	(328,678)
Employee benefits expenses	(102,262)	(90,646)
Loss on disposal of assets	(13,987)	-
Marketing expenses	(1,819)	(1,091)
Occupancy expenses	(135,371)	(95,122)
Telecommunication and technology expenses	(19,813)	(12,763)
Travel expenses	-	(1,821)
Finance costs	(113,612)	(77,324)
Total expenses	<u>(1,123,826)</u>	<u>(788,556)</u>
Profit before income tax expense	82,702	110,353
Income tax expense	-	-
Profit after income tax expense from discontinued operations	<u>82,702</u>	<u>110,353</u>

Cash flow information

	Consolidated 2023 \$	Consolidated 2022 \$
Net cash from operating activities	283,369	84,353
Net cash (used in) investing activities	(1,900)	(4,505)
Net cash from financing activities	-	-
Net increase in cash and cash equivalents from discontinued operations	<u>281,469</u>	<u>79,848</u>

Note 10. Earnings per share

	Consolidated 2023 \$	Consolidated 2022 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of DXN Limited	<u>(9,695,322)</u>	<u>(7,012,802)</u>
	Cents	Cents
Basic earnings per share	(0.57)	(0.51)
Diluted earnings per share	(0.57)	(0.51)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 10. Earnings per share (continued)

	Consolidated 2023 \$	Consolidated 2022 \$
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of DXN Limited	82,702	110,353
	Cents	Cents
Basic earnings per share	-	0.01
Diluted earnings per share	-	0.01
	Consolidated 2023 \$	Consolidated 2022 \$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of DXN Limited	(9,612,620)	(6,902,449)
	Cents	Cents
Basic earnings per share	(0.57)	(0.50)
Diluted earnings per share	(0.57)	(0.50)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	1,693,232,645	1,385,110,998
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,693,232,645	1,385,110,998

At 30 June 2023 and 30 June 2022, options, warrants and performance rights over ordinary shares were excluded from the calculation of the weighted average number of ordinary shares used in calculating diluted earnings per share due to being anti-dilutive, as the Group reported a loss for the period.

Note 11. Cash and cash equivalents

	Consolidated 2023 \$	Consolidated 2022 \$
<i>Current assets</i>		
Cash at bank and on hand	710,209	1,924,767
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	710,209	1,924,767
Cash and cash equivalents - classified as held for sale (note 19)	558,084	-
Balance as per statement of cash flows	1,268,293	1,924,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 12. Trade and other receivables

	Consolidated 2023 \$	2022 \$
<i>Current assets</i>		
Trade receivables	239,627	635,390
Less: Allowance for expected credit losses	(18,311)	-
	<u>221,316</u>	<u>635,390</u>
 GST receivable	 -	 14,282
	<u>221,316</u>	<u>649,672</u>

Allowance for expected credit losses

The Group has recognised a loss of \$18,311 in the profit or loss in respect of the expected credit losses for the year ended 30 June 2023 (2022: \$nil).

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2023 %	2022 %	2023 \$	2022 \$	2023 \$	2022 \$
Consolidated						
0 to 30 days	7.922%	-	231,125	314,975	18,311	-
30 to 60 days	-	-	982	8,416	-	-
60 to 90 days	-	-	-	-	-	-
over 90 days	-	-	7,520	311,999	-	-
			<u>239,627</u>	<u>635,390</u>	<u>18,311</u>	<u>-</u>

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2023 \$	2022 \$
Opening balance	-	-
Additional provisions recognised	18,311	-
Receivables written off during the year as uncollectable	-	-
Closing balance	<u>18,311</u>	<u>-</u>

Note 13. Inventories/work in progress

	Consolidated 2023 \$	2022 \$
<i>Current assets</i>		
Materials and consumables	234,151	467,366
Work in progress - Customers (contract asset) ¹	141,554	781,014
	<u>375,705</u>	<u>1,248,380</u>

¹ Relates to external customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 14. Bank guarantees and deposits

	Consolidated 2023 \$	2022 \$
<i>Non-current assets</i>		
5 Parkview Drive, Olympic Park, Sydney NSW ¹	231,385	495,000
3 Dampier Road, Welshpool, WA ¹	33,917	33,917
	<u>265,302</u>	<u>528,917</u>

¹ Relates to deposits given to landlords' legal representatives at 30 June 2022 over leased premises. These deposits are held in solicitor trust accounts and are classified as restricted cash.

Note 15. Other assets

	Consolidated 2023 \$	2022 \$
<i>Current assets</i>		
Prepayments	127,880	120,904
Other deposits	13,556	13,556
	<u>141,436</u>	<u>134,460</u>
<i>Non-current assets</i>		
Other non-current assets (borrowing costs capitalised net of amortisation)	423,333	608,333
	<u>564,769</u>	<u>742,793</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 16. Property, plant and equipment

	Consolidated 2023 \$	Consolidated 2022 \$
<i>Non-current assets</i>		
Leasehold improvements - at cost	2,384	3,045,118
Less: Accumulated depreciation	(2,384)	(693,259)
	<u>-</u>	<u>2,351,859</u>
Plant and equipment - at cost	417,220	286,054
Less: Accumulated depreciation	(190,805)	(151,425)
	<u>226,415</u>	<u>134,629</u>
Motor vehicles - at cost	26,016	26,016
Less: Accumulated depreciation	(15,302)	(12,050)
	<u>10,714</u>	<u>13,966</u>
Office equipment - at cost	28,798	61,126
Less: Accumulated depreciation	(28,158)	(50,558)
	<u>640</u>	<u>10,568</u>
DC modules - at cost	1,348,388	10,415,688
Less: Accumulated depreciation	(427,149)	(5,768,198)
	<u>921,239</u>	<u>4,647,490</u>
ICT hardware - at cost	86,962	340,736
Less: Accumulated depreciation	(86,277)	(305,766)
	<u>685</u>	<u>34,970</u>
	<u>1,159,693</u>	<u>7,193,482</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improve- ments \$	Plant and equipment \$	Motor vehicles \$	Office equipment \$	DC modules \$	ICT hardware \$	Total \$
Balance at 1 July 2021	1,816,151	144,490	17,236	23,448	6,619,020	81,358	8,701,703
Additions	1,865	22,468	-	-	-	-	24,333
Additions through business combinations (note 39)	757,400	2,900	-	-	753,110	-	1,513,410
Disposals	-	-	-	-	(765,415)	-	(765,415)
Depreciation expense	(223,557)	(35,229)	(3,270)	(12,880)	(1,959,225)	(46,388)	(2,280,549)
Balance at 30 June 2022	2,351,859	134,629	13,966	10,568	4,647,490	34,970	7,193,482
Additions	-	136,278	-	-	-	-	136,278
Classified as held for sale (note 19)	(626,422)	(6,933)	-	-	(485,902)	-	(1,119,257)
Disposals	(14,917)	(843)	-	(90)	(1,528)	-	(17,378)
Impairment of assets	(1,658,208)	-	-	(2,732)	(1,843,274)	(32,163)	(3,536,377)
Depreciation expense	(52,312)	(36,716)	(3,252)	(7,106)	(1,395,547)	(2,122)	(1,497,055)
Balance at 30 June 2023	<u>-</u>	<u>226,415</u>	<u>10,714</u>	<u>640</u>	<u>921,239</u>	<u>685</u>	<u>1,159,693</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 16. Property, plant and equipment (continued)

For the impairment of assets recognised during the period, \$495,000 relates to DC modules at the Perth location that management assessed as being obsolete and determined the recoverable amount to be zero. The remaining impairment loss recognised of \$3,041,377 relates to various assets at the Sydney Data Centre for which management assessed as being obsolete and determined the recoverable amount to be zero.

Note 17. Right-of-use assets

	Consolidated 2023 \$	2022 \$
<i>Non-current assets</i>		
Land and buildings - right-of-use	10,222,419	12,178,466
Less: Accumulated depreciation	(1,863,972)	(993,508)
	<u>8,358,447</u>	<u>11,184,958</u>

Additions to the right-of-use assets during the year were \$nil (30 June 2022: \$3,125,008).

Right-of-use assets relate to leased properties in Perth, Sydney and Hobart.

The Group leases land and buildings under agreements of between three to fifteen years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

For AASB 16 Lease disclosures refer to:

- note 7 for depreciation on right-of-use assets, interest on lease liabilities and short term leases;
- note 23 for lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 18. Intangibles

	Consolidated 2023 \$	2022 \$
<i>Non-current assets</i>		
Goodwill - at cost	25,541	1,986,421
Module development - at cost	195,951	38,970
Patents and trademarks - at cost	-	36,480
Less: Accumulated amortisation	-	(8,390)
	<u>-</u>	<u>28,090</u>
Software - at cost	112,729	232,167
Less: Accumulated amortisation	(97,279)	(141,443)
	<u>15,450</u>	<u>90,724</u>
Customer contracts - at cost	1,342,104	2,703,418
Less: Accumulated amortisation	(1,342,104)	(1,050,764)
	<u>-</u>	<u>1,652,654</u>
	<u>236,942</u>	<u>3,796,859</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 18. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill \$	Module develop- ment \$	Patents and trademarks \$	Software \$	Customer contracts \$	Total \$
Balance at 1 July 2021	25,541	494,031	30,050	110,573	841,821	1,502,016
Additions	-	-	-	25,921	-	25,921
Additions through business combinations (note 39)	1,960,880	-	-	2,391	1,361,314	3,324,585
Transfers in/(out)	-	(455,061)	-	-	-	(455,061)
Amortisation expense	-	-	(1,960)	(48,161)	(550,481)	(600,602)
Balance at 30 June 2022	1,986,421	38,970	28,090	90,724	1,652,654	3,796,859
Additions	-	195,951	-	1,835	-	197,786
Classified as held for sale (note 19)	(1,960,880)	-	-	(2,391)	(1,123,084)	(3,086,355)
Disposals	-	-	(27,441)	-	-	(27,441)
Impairment of assets	-	-	-	(24,912)	-	(24,912)
Transfers in/(out)	-	(38,970)	-	-	-	(38,970)
Amortisation expense	-	-	(649)	(49,806)	(529,570)	(580,025)
Balance at 30 June 2023	25,541	195,951	-	15,450	-	236,942

Goodwill	Goodwill on the acquisition of assets and revenue of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd, and acquisition of Secure Data Centre – Darwin during FY22.
Module development	Relates to the development costs spent to date on IoT software.
Patents and trademarks	Relates to patents and is amortised over the estimated useful life of the patents.
Software	Relates to acquired software.
Customer contracts	Relates to the minimum contracted revenues/EBITDA in relation to the acquisition of DC module assets of Data Centre 3 Pty Ltd from TasmaNet Pty Ltd and customer contracts acquired from the purchase of Secure Data Centre – Darwin during FY22.

Impairment disclosures

The Group's total goodwill balance predominantly related to the Data Centre segment operations of Secure Data Centre, Darwin (SDC) which is included as a discontinued operation. Refer to note 9.

	Consolidated 2023 \$	2022 \$
SDC	-	1,960,880

Assumption

How determined

Forecast revenue & expenses	Annual growth rate of 0% and long-term terminal growth rate of 0%
Discount rate	Pre-tax discount rate of 11.69%

Sensitivity to changes in assumptions

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the SDC CGU to exceed its recoverable amount.

For the impairment of assets recognised during the period, \$24,912 relates to software that management assessed as being obsolete and determined the recoverable amount to be zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 19. Assets of disposal groups classified as held for sale

	Consolidated 2023 \$	2022 \$
<i>Current assets</i>		
Cash and cash equivalents	558,084	-
Trade and other receivables	38,897	-
Property, plant and equipment	1,119,257	-
Right-of-use assets	1,786,396	-
Intangibles	3,086,355	-
	<u>6,588,989</u>	<u>-</u>

Assets classified as held for sale relate to the Secure Data Centre (Darwin DC facility) which the DXN Board determined during the financial year as a facility to be sold as part of a decision to streamline data centre operations.

Note 20. Trade and other payables

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables ¹	450,374	2,152,202
GST payable	65,999	-
Payroll liabilities	81,481	162,552
Other payables and accruals ²	378,300	188,456
	<u>976,154</u>	<u>2,503,210</u>

Terms and conditions relating to the above financial instruments.

¹ Trade payables are non-interest bearing and generally on 30 day terms.

² Other payables are non-interest bearing have no fixed repayment terms.

Refer to note 31 for further information on financial instruments.

Note 21. Contract liabilities

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Contract liabilities ¹	<u>698,271</u>	<u>332,507</u>

¹ Relates to amounts received in advance from external customers for the custom-built DXN data centre and cable landing station modules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 22. Borrowings

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Insurance premium funding	118,265	60,855
FlexiCommercial Pty Ltd ¹	42,888	-
Less: Unexpired charges	(17,309)	(1,884)
	<u>143,844</u>	<u>58,971</u>
<i>Non-current liabilities</i>		
FlexiCommercial Pty Ltd ¹	132,238	-
Pure Asset Management Pty Ltd ²	4,000,000	4,000,000
Less: Unexpired charges	(18,788)	-
	<u>4,113,450</u>	<u>4,000,000</u>
	<u><u>4,257,294</u></u>	<u><u>4,058,971</u></u>

Refer to note 31 for further information on financial instruments.

¹ This is a Chattel Mortgage Facility with FlexiCommercial Pty Ltd for a Pressbrake Machine in use in the Perth factory. The interest rate on this facility is 9.996% and is repayable over 5 years (60 months) with no balloon payment.

² \$4,000,000 secured facility with Pure Asset Management Pty Ltd ('Pure') is to finance working capital and acquisitions. The interest rate on this facility (including line fee) is 11.25% per annum. In addition, there was a 2.5% establishment fee. This facility is due to mature on 14 October 2025 and is secured by a General Security Agreement over the assets of the Company. Financial covenants were fully complied with at 30 June 2022.

As previously disclosed, DXN reported a breach of a financial covenant to Pure, where the Group's cash balance had fallen below \$1,250,000. On 5 August 2022, Pure provided a waiver for the breach of the covenant, subject to DXN executing the following agreements:

- i) a business purchase agreement in relation to the main assets and undertaking of the Group; and
- ii) an underwriting agreement between the Borrower and the Lender in connection with the proposed \$2,125,000 share placement by the Borrower, each in a form satisfactory to the Lender.

As announced to the market on 5 August 2022, both agreements were successfully executed. Additionally, Pure amended the Facility Agreement by increasing the level of cash required under its financial covenant to \$1,600,000.

On 20 March 2023, Pure provided DXN with a letter of forbearance whereby the key covenant has been agreed as a minimum cash balance of \$1,250,000 during the forbearance period ended 15 May 2023. On 30 June 2023, Pure provided another letter of forbearance whereby the key covenant has been agreed as a minimum cash balance of \$500,000 during the forbearance period due to end on 1 September 2023. Amended financial covenants were fully complied with at 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 22. Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2023 \$	2022 \$
Total facilities		
Insurance premium funding	118,265	60,855
FlexiCommercial Pty Ltd	162,180	-
Pure Asset Management Pty Ltd	4,000,000	4,000,000
	<u>4,280,445</u>	<u>4,060,855</u>
Used at the reporting date		
Insurance premium funding	118,265	60,855
FlexiCommercial Pty Ltd	162,180	-
Pure Asset Management Pty Ltd	4,000,000	4,000,000
	<u>4,280,445</u>	<u>4,060,855</u>
Unused at the reporting date		
Insurance premium funding	-	-
FlexiCommercial Pty Ltd	-	-
Pure Asset Management Pty Ltd	-	-
	<u>-</u>	<u>-</u>

Note 23. Lease liabilities

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Lease liability	<u>716,011</u>	<u>728,679</u>
<i>Non-current liabilities</i>		
Lease liability	<u>8,190,144</u>	<u>10,775,981</u>
	<u>8,906,155</u>	<u>11,504,660</u>

Refer to note 31 for maturity analysis of lease liabilities.

Note 24. Employee benefits

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Annual leave	<u>148,343</u>	<u>156,743</u>
<i>Non-current liabilities</i>		
Long service leave	<u>14,344</u>	<u>16,038</u>
	<u>162,687</u>	<u>172,781</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 24. Employee benefits (continued)

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	Consolidated 2023 \$	2022 \$
Employee benefits obligation expected to be settled after 12 months	14,344	16,038

Note 25. Income in advance

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Income in advance	416,667	-

As per the Exclusive Global Distribution License Agreement ('EGDLA') signed with Flow2Edge Holdings I Pte Ltd ('Flow'), and announced to the market on 28 November 2022, DXN received an upfront \$2 million exclusivity fee for an initial 10-year agreement for worldwide (excluding Australia) exclusivity for the marketing and distribution of DXN Modules. During the first 12 months of the EGDLA, commencing 180 days from the date of signing, FLOW2Edge must place orders with DXN for a minimum of 10 DXN Modules. The first \$1 million of this exclusivity fee has been immediately recognised upon receipt, whilst the remaining \$1 million will be recognised over the first twelve months of the agreement.

Note 26. Other financial liabilities

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Other financial liabilities ¹	910,315	850,000
<i>Non-current liabilities</i>		
Other financial liabilities ²	400,000	400,000
	1,310,315	1,250,000

¹ This amount was withheld from the purchase price of SDC to cover any warranty claims associated with the acquisition, which is yet to be paid by the Company and is currently accruing agreed default interest until paid.

² 200 million warrants were issued to Pure Asset Management Pty Ltd as part of the New Debt Facility arrangement, as announced to the market on 9 September 2021. These warrants have a 48 month term and expire on 15 October 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 27. Liabilities directly associated with assets classified as held for sale

	Consolidated 2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	12,168	-
Payroll liabilities	2,110	-
GST payable	13,307	-
Lease liability	1,869,826	-
Employee benefits	31,562	-
	<u>1,928,973</u>	<u>-</u>

Note 28. Issued capital

	2023 Shares	Consolidated 2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	<u>1,721,314,836</u>	<u>1,471,314,836</u>	<u>45,424,949</u>	<u>43,471,842</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	1,105,318,536		40,345,107
Issue of shares - placement	10 September 2021	182,662,966	\$0.0090	1,643,967
Issue of shares - share purchase plan	6 October 2021	134,666,622	\$0.0090	1,212,000
Issue of shares - purchase consideration	18 October 2021	16,666,667	\$0.0120	200,000
Issue of shares - share purchase plan shortfall	22 October 2021	32,000,045	\$0.0090	288,000
Capital raising costs		-		(184,565)
Capital raising costs - share-based payments		-		(32,667)
Balance	30 June 2022	1,471,314,836		43,471,842
Issue of shares - placement	11 August 2022	250,000,000	\$0.0085	2,125,000
Capital raising costs		-		(171,893)
Balance	30 June 2023	<u>1,721,314,836</u>		<u>45,424,949</u>

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

Management controls the capital of the Group in order to maintain a prudent debt to equity ratio, provide the shareholders with adequate returns and ensure the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 28. Issued capital (continued)

Management effectively manages the Group's capital by assessing the Groups financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There are no externally imposed capital requirements other than as disclosed in note 22.

The capital risk management policy remains unchanged from the 2022 Annual Report.

Note 29. Reserves

	Consolidated	
	2023	2022
	\$	\$
Share-based payments reserve	1,118,264	1,081,594
Option reserve	310,302	310,302
	<u>1,428,566</u>	<u>1,391,896</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Option reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments \$	Option \$	Total \$
Balance at 1 July 2021	866,654	310,302	1,176,956
Capital raising costs	32,667	-	32,667
Share-based payments	<u>182,273</u>	<u>-</u>	<u>182,273</u>
Balance at 30 June 2022	1,081,594	310,302	1,391,896
Share-based payments	<u>36,670</u>	<u>-</u>	<u>36,670</u>
Balance at 30 June 2023	<u>1,118,264</u>	<u>310,302</u>	<u>1,428,566</u>

Note 30. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 31. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. The Board identifies, evaluates financial risks within the Group's operating units on a monthly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 31. Financial instruments (continued)

The Group's principal financial instruments comprise cash and cash equivalents and borrowings. The Group also has other financial instruments such as receivables and payables which arise directly from its operations. For the period under review, it has been the Group's policy not to trade in financial instruments.

	Consolidated	
	2023	2022
	\$	\$
Financial assets		
Cash and cash equivalents	710,209	1,924,767
Trade and other receivables	221,316	649,672
Bank guarantees	265,302	528,917
	<u>1,196,827</u>	<u>3,103,356</u>
Financial liabilities		
At amortised cost:		
Trade and other payables	976,154	2,503,210
Borrowings	4,257,294	4,058,971
Lease liabilities	8,906,155	11,504,660
Other financial liabilities	1,310,315	1,250,000
	<u>15,449,918</u>	<u>19,316,841</u>

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group has not entered into forward foreign exchange contracts during the current financial year.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature. At 30 June 2023 and 30 June 2022, the Group's cash/cash equivalents (note 11) and borrowings (note 22) are fixed interest rate instruments. Therefore, they are not subject to interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above.

The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group does not have any significant credit risk exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 31. Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	976,154	-	-	-	976,154
Other financial liabilities	-	910,315	-	400,000	-	1,310,315
<i>Interest-bearing - variable</i>						
Lease liability	-	1,383,158	1,383,158	4,149,473	5,537,506	12,453,295
<i>Interest-bearing - fixed rate</i>						
<i>Borrowings:</i>						
Pure	11.25%	427,295	337,808	4,125,753	-	4,890,856
Insurance premium funding	3.83%	118,265	-	-	-	118,265
FlexiCommercial Pty Ltd	10.00%	42,888	85,776	46,462	-	175,126
Total non-derivatives		3,858,075	1,806,742	8,721,688	5,537,506	19,924,011
Consolidated - 2022						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,503,210	-	-	-	2,503,210
Other financial liabilities	-	850,000	-	400,000	-	1,250,000
<i>Interest-bearing - variable</i>						
Lease liability	-	1,549,242	1,549,242	4,647,727	9,171,052	16,917,263
<i>Interest-bearing - fixed rate</i>						
<i>Borrowings:</i>						
Pure	11.25%	450,000	450,000	4,580,685	-	5,480,685
Insurance premium funding	8.43%	58,971	-	-	-	58,971
Total non-derivatives		5,411,423	1,999,242	9,628,412	9,171,052	26,210,129

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 32. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short term nature.

Note 33. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short term employee benefits	693,854	962,712
Bonus payments	59,776	32,396
Post-employment benefits	57,889	297,290
Share-based payments	36,670	81,572
	<u>848,189</u>	<u>1,373,970</u>

Note 34. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Moore Australia Audit (WA), the auditor of the Company, and its network firms:

	Consolidated	
	2023	2022
	\$	\$
<i>Audit services - Moore Australia Audit (WA)</i>		
Audit or review of the financial statements	<u>74,000</u>	<u>59,408</u>
<i>Other services - network firms</i>		
Tax compliance	10,000	6,600
Consulting	<u>13,500</u>	<u>4,800</u>
	<u>23,500</u>	<u>11,400</u>

Note 35. Contingent liabilities

	Consolidated	
	2023	2022
	\$	\$
<i>Continuing operations</i>		
5 Parkview Drive, Olympic Park, Sydney NSW ¹	-	495,000
3 Dampier Road, Welshpool, WA ¹	-	<u>33,917</u>
	<u>-</u>	<u>528,917</u>

¹ Related to deposits given to landlords' legal representatives at 30 June 2022 over leased premises. These deposits were held in solicitor trust accounts and were classified as restricted cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 36. Commitments

There were no capital commitments as at 30 June 2023 and 30 June 2022.

Note 37. Related party transactions

Parent entity

DXN Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 40.

Key management personnel

Disclosures relating to key management personnel are set out in note 33 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 38. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2023 \$	Parent 2022 \$
Loss after income tax	(9,674,275)	(6,970,609)
Total comprehensive loss	(9,674,275)	(6,970,609)

Statement of financial position

	2023 \$	Parent 2022 \$
Total current assets	1,287,203	3,685,138
Total assets	15,872,557	24,644,145
Total current liabilities	3,806,759	4,399,581
Total liabilities	16,074,777	17,161,867
Equity		
Issued capital	45,424,949	43,471,842
Share-based payments reserve	1,118,264	1,081,594
Option reserve	310,302	310,302
Accumulated losses	(47,055,735)	(37,381,460)
Total (deficiency)/equity	(202,220)	7,482,278

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

Contingent liabilities

Apart from the deposits disclosed at note 35, the parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 39. Business combinations

Acquisitions during the year ended 30 June 2022

On 18 October 2021, the Company acquired 100% of the ordinary shares on issue in Secure Data Centre Pty Ltd ATF SDC Trust and 100% of the units on issue in the SDC Trust for a total purchase consideration of \$5,063,516. This is a data centre business and operates in the 'Data centre operations' division of the Group.

The acquired business contributed revenues of \$1,159,159 and profit after tax of \$110,353 to the Group for the period from 18 October 2021 to 30 June 2022. If the acquisition occurred on 1 July 2021, the full year contributions would have been revenues of \$1,725,407 and profit after tax of \$317,059. The values identified in relation to the acquisition are final as at 30 June 2022.

Details of the acquisition are as follows:

	Fair value \$
Cash and cash equivalents	196,942
Trade receivables	139,727
Leasehold improvements	757,400
Plant and equipment	2,900
DC Modules	753,110
Software	2,391
Customer contracts	1,361,314
Trade and other payables	(111,148)
Net assets acquired	3,102,636
Goodwill	1,960,880
Acquisition-date fair value of the total consideration transferred	<u>5,063,516</u>
Representing:	
Cash paid or payable to vendor	4,013,516
DXN Limited shares issued to vendor	200,000
Warranty retention	850,000
	<u>5,063,516</u>
Acquisition costs expensed to profit or loss	<u>20,615</u>
Cash used during the period ended 30 June 2022 to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	5,063,516
Less: cash and cash equivalents	(196,942)
Less: shares issued by Company as part of consideration	(200,000)
Less: warranty retention	(850,000)
Net cash used	<u>3,816,574</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 39. Business combinations (continued)

During the year ended the 30 June 2022, the valuation was completed and the acquisition date fair value of the assets was adjusted as follows:

	30 June 2022 \$	31 December 2021 \$	Increase/ (decrease) \$
Leasehold improvements	757,400	466,916	290,484
Plant and equipment	2,900	159,530	(156,630)
DC Modules	753,110	637,805	115,305
Goodwill	1,960,880	2,210,039	(249,159)
	<u>3,474,290</u>	<u>3,474,290</u>	<u>-</u>

Note 40. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Tas01 Pty Ltd	Tasmania, Australia	100%	100%
Secure Data Centre Pty Ltd	Northern Territory, Australia	100%	100%
SDC Trust	Northern Territory, Australia	100%	100%

Note 41. Cash flow information

Reconciliation of loss after income tax to net cash (used in) operating activities

	Consolidated 2023 \$	2022 \$
Loss after income tax expense for the year	(9,612,620)	(6,902,449)
Adjustments for:		
Depreciation and amortisation	3,117,999	3,704,379
Impairment of non-current assets	4,173,664	-
Share-based payments	36,670	182,273
Interest - non cash	522,253	1,130,244
Borrowing costs	185,000	134,781
Write off capitalised R&D costs	-	504,971
Change in operating assets and liabilities:		
Decrease in trade and other receivables	371,148	16,480
Decrease in inventories/work in progress	377,915	527,412
Increase in prepayments	(6,976)	(9,606)
Increase/(decrease) in trade and other payables	(1,499,471)	396,098
Increase/(decrease) in contract liabilities	365,764	(55,049)
Increase/(decrease) in employee benefits	21,468	(8,509)
Increase in income in advance	416,667	-
Net cash (used in) operating activities	<u>(1,530,519)</u>	<u>(378,975)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 41. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated 2023 \$	Consolidated 2022 \$
Additions to the right-of-use assets	-	3,125,008

Changes in liabilities arising from financing activities

Consolidated	Finance facility \$	Insurance premiums funding \$	FlexiCommercial Pty Ltd \$	Lease liability \$	Total \$
Balance at 1 July 2021	1,632,266	-	-	8,507,879	10,140,145
Finance facility drawn down	4,000,000	60,855	-	-	4,060,855
Repayment of finance facility	(1,867,716)	-	-	(1,117,455)	(2,985,171)
Acquisition of leases	-	-	-	3,125,108	3,125,108
Other changes	235,450	(1,884)	-	989,128	1,222,694
Balance at 30 June 2022	4,000,000	58,971	-	11,504,660	15,563,631
Net cash (used in) financing activities	-	-	-	(728,679)	(728,679)
Finance facility drawn down	-	337,479	214,441	-	551,920
Repayment of finance facility	-	(278,187)	(39,313)	-	(317,500)
Classified as held for sale (note 19)	-	-	-	(1,869,826)	(1,869,826)
Other changes	-	(36,097)	-	-	(36,097)
Balance at 30 June 2023	4,000,000	82,166	175,128	8,906,155	13,163,449

Note 42. Share-based payments

Options

Set out below are summaries of options:

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/01/2020	31/12/2022	\$0.1000	7,500,000	-	-	(7,500,000)	-
15/04/2021	30/04/2023	\$0.0300	22,000,000	-	-	(22,000,000)	-
18/05/2020	18/05/2023	\$0.0200	641,936,886	-	-	(641,936,886)	-
22/10/2021	22/10/2024	\$0.0140	10,888,857	-	-	-	10,888,857
			682,325,743	-	-	(671,436,886)	10,888,857
Weighted average exercise price			\$0.0210	\$0.0000	\$0.0000	\$0.0212	\$0.0140

In the table above 641,936,886 represented quoted options and 10,888,857 options were granted in relation to a corporate mandate with TMT Partners Pty Ltd for corporate services in relation to equity debt raising.

30 JUNE 2023

2022

Weighted average exercise price	\$0.0230	\$0.0140	\$0.0000	\$0.1000	\$0.0210
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Set out below are the options exercisable at the end of the financial year:

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.32 years (2022: 0.9 years).

Set out below are summaries of performance rights:

2023

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
26/11/2021	14/07/2024	\$0.0000	-	14,750,000	-	(14,750,000)	-
29/06/2019	30/06/2022	\$0.0000	411,813	-	-	(411,813)	-
22/07/2021	14/07/2024	\$0.0000	-	8,300,000	-	-	8,300,000
09/12/2019	30/06/2022	\$0.0000	6,000,000	-	-	(6,000,000)	-
			6,411,813	23,050,000	-	(21,161,813)	8,300,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2023

Note 42. Share-based payments (continued)

Set out below are the performance rights exercisable at the end of the financial year:

Grant date	Expiry date	2023 Number	2022 Number
22/07/2021	14/07/2024	8,300,000	8,300,000
		<u>8,300,000</u>	<u>8,300,000</u>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.04 years (2022: 2.04 years).

Recognised employee share-based payment expenses

The expense recognised for employee services received during the period are as follows:

	Consolidated 2023	Consolidated 2022
Performance rights and options	<u>36,670</u>	<u>182,273</u>

Note 43. Events after the reporting period

On 21 August 2023, the Company issued 2,025,000 fully paid ordinary shares at \$0.003 per share in lieu of fees payable to a corporate advisor as approved by the Board.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter McGrath
Non-Executive Chairman

29 September 2023



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DXN LIMITED****Report on the Audit of the Financial Report****Opinion**

We have audited the financial report of DXN Ltd (the "Company") and its controlled entity (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modification to our opinion expressed above, we draw attention to Note 2 "Going Concern" of the financial statements which states that the financial statements have been prepared on a going concern basis. Should the Company be unable to achieve the funding and operational outcomes described in Note 2 and continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts other than as stated in the financial report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DXN LIMITED (CONTINUED)**

Key Audit Matters (continued)

Customer contracts – Revenue Recognition, Valuation of works in progress (WIP), trade accounts receivable and contract liabilities	
Refer to Note 2 Revenue Recognition, Note 3 Critical Accounting Judgements, Estimates and Assumptions, Note 12 Trade & Other Receivables, Note 13 Work in Progress & Note 21 Contract Liabilities	
<p>For the year ended 30 June 2023, a portion of the Group's revenue is derived from the sales of DXN Modules. At balance date, DXN Module-related balances were Works in Progress (WIP) - \$0.14 million ("mill"), trade debtors - \$0.22 mill and contract liabilities - \$0.69 mill.</p> <p>The accurate recording of revenue is highly dependent upon the following key factors:</p> <ul style="list-style-type: none"> • Knowledge of the individual characteristics and status of contracts. • Management's invoicing process including: <ul style="list-style-type: none"> – Accurate measurement of work done based on the Module build's stage of completion. – Invoices prepared in compliance with contract terms and conditions described in the contract, provided they fulfil the criteria of AASB 15 <i>Revenue from Contracts with Customers</i>. – Recognition of any variations in accordance with contractual terms and based on an assessment as to when the Group believes it is highly probable that a significant reversal in revenue recognised will not occur. <p>We focused on this matter as a key audit matter due to the significance of contract-based revenue to the Group combined with the need to comply with a variety of contractual conditions, leading to judgemental risk associated with revenue recognition.</p>	<p>Our procedures included among others:</p> <ul style="list-style-type: none"> • Obtained an understanding of the processes and relevant controls relating to accounting for customer contracts to ensure compliance with AASB 15. • Read significant customer contracts to understand the terms/conditions and their revenue recognition impact, & accuracy of contract liabilities (or income in advance). • Tested the accuracy and completeness of contracting revenue and related cost of sales to supporting documentation on a sample basis. • Performed cut-off testing on revenue and income in advance to ensure they were recorded accurately and in the appropriate reporting period. • Examined costs included within WIP balances on a sample basis by verifying the amounts to source documentation and tested its recoverability through subsequent invoicing (if applicable), discussions with management & review of other supporting evidence. • Reviewed ageing of trade receivables and & testing its recoverability to subsequent receipts. We also considered Board minutes and the expected credit loss assessment performed by management and other documents concerning any expected credit loss in regards to trade receivables and works in progress. • Reviewed the relevant disclosures contained in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DXN LIMITED (CONTINUED)

Key Audit Matters (continued)

Plant & Equipment – Carrying values of Plant & Equipment	
Refer to Note 3 Critical Accounting Judgements, Estimates and Assumptions, Note 16 Property, Plant & Equipment & Note 43 Events after the reporting period	
<p>At 30 June 2022, total Property, Plant and Equipment ("PPE") amounted to \$7.19 mill representing 26% of the Group's total assets. PE comprises of 2 core categories with a combined value of \$7 mill:</p> <ul style="list-style-type: none"> • DC Modules \$4.65 mill; and • Leasehold improvements \$2.35 mill. <p>Of the DC Modules carrying value of \$4.65 mill, \$3 mill relates to DXN-SYD01, \$1 mill to TAS01 and \$0.65 mill to Secure Data Centre Darwin ("SDC"). Of total leasehold improvements of \$2.35 mill, \$1.8 mill relate to the DXN-SYD01 Data Centre.</p> <p>Management has performed a detailed impairment assessment of the DXN-SYD01 assets in the financial year 2023, and as a result impairment of \$3.54mill has been recognised.</p> <p>As at 30 June 2023, total Property, Plant and Equipment ("PPE") amounted to \$2.28mill representing 12% of the Group's total assets. With DC Modules now valued at \$0.92mill and leasehold improvements valued at \$0.</p> <p>The carrying values of these assets were considered key audit matters given the significance of these assets to the Group, the significant impairment of these assets recognised during the financial year, and the judgement involved in the assessment of impairment.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • Testing expenditures related to capitalised costs during the year on a sample basis against supporting documentation such as supplier invoices to ensure expenditures are appropriately recorded in accordance with AASB 116 <i>Property Plant & Equipment</i>. • We recalculated the impairment charge relating to the DXN-SYD01 assets against the recorded amounts disclosed. • Considered the terms of non-binding term sheet/sales agreements with unrelated third parties to dispose part of the business and related assets. • Reviewed the relevant disclosures contained in the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DXN LIMITED (CONTINUED)

Key Audit Matters (continued)

Accounting for Discontinued Operations & Assets/Liabilities Held For Sale	
Refer to Note 19 Assets of Disposal Groups Classified as Held for Sale, Note 27 Liabilities Directly Associated with Assets Classified as Held for Sale & Note 9 Discontinued Operations	
<p>During the year, the Board has been actively marketing their SDC data centre operations assets for sale. The board continues to consider all strategic options to sell these assets and multiple non-binding indicative offers have been received to acquire these data centre assets with negotiations in advanced stages. As such, these business assets and liabilities have been disclosed as held for sale as at 30 June 2023. The financial results of SDC data centre operations have been presented in the financial report as discontinued operations for the year.</p> <p>We focussed on this area as a key audit matter due to:</p> <ul style="list-style-type: none"> the size of the proposed sale. judgment involved in determining the appropriateness of classification and measurement of the disposal group as held for sale. 	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Read the relevant directors meeting minutes and had in depth discussions with management regarding their business plans to evaluate the Groups assessment of the assets being classified as held for sale in accordance with applicable Australian Accounting Standards. Assessing the appropriateness of the relevant disclosures in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DXN LIMITED (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of DXN Limited, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



SHAUN WILLIAMS
PARTNER



MOORE AUSTRALIA AUDIT (WA)
CHARTERED ACCOUNTANTS

Signed at Perth this 29th day of September 2023.

SHAREHOLDER INFORMATION

30 JUNE 2023

The shareholder information set out below was applicable as at 29 September 2023. Distribution of equitable securities.

Analysis of number of equitable security holders by size of holding:

Security Class: Ordinary Fully paid
As at Date: DNX - ORDINARY FULLY PAID
SHARES
29-Sep- 2023

Holding Ranges	Holders	Total Units	% Issued Share Capital
above 0 up to and including 1,000	27	2,117	0.00%
above 1,000 up to and including 5,000	7	12,861	0.00%
above 5,000 up to and including 10,000	9	68,171	0.00%
above 10,000 up to and including 100,000	441	31,913,702	1.85%
above 100,000	992	1,691,342,985	98.14%
Totals	1,476	1,723,339,836	100.00%

Based on the price per security,

Number of holders with an unmarketable holding: 0, with total 0, amounting to 0.00% of Issued Capital

SHAREHOLDER INFORMATION

Top Holders Grouped Report as at 29th September 2023

DXN Limited Security Class(es): DXN - ORDINARY FULLY PAID SHARES

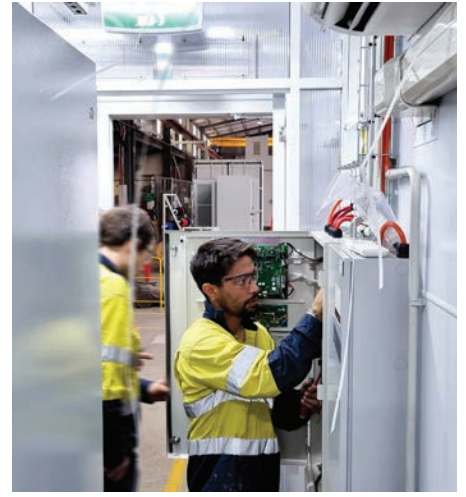
Position	Holder Name	Holding	% IC
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	170,217,627	9.88%
2	DC ALLIANCE PTE LTD	138,888,889	8.06%
3	MR ANDREW WALSH	129,798,807	7.53%
4	NORFOLK ENCHANTS PTY LTD 7	9,149,312	4.59%
5	MR BRENDAN ERIN JOSEPH POWER	40,666,666	2.36%
6	MR CAMERON ROSS BARBER	35,250,000	2.05%
7	BNP PARIBAS NOMS PTY LTD 3	4,303,750	1.99%
8	CHELSEREF PTY LTD	25,000,000	1.45%
9	STATE ONE CAPITAL GROUP P/L	24,455,982	1.42%
10	MR MALCOLM JOHN MCCLURE	24,000,000	1.39%
11	MR THIAM HUAT LOW	23,200,000	1.35%
12	CITICORP NOMINEES PTY LIMITED	17,779,056	1.03%
13	PROACTIVE SOLUTIONS PTY LTD	16,666,667	0.97%
14	JAPEM PTY LTD	15,511,060	0.90%
15	WHILEY CLOSE INVESTMENTS PTY LTD	15,000,000	0.87%
16	MR YUAN GAO	11,380,000	0.66%
17	MR KENNETH JOSEPH HALL	11,000,000	0.64%
18	BNP PARIBAS NOMINEES PTY LTD	10,408,214	0.60%
19	MR DAVID BRUCE POLLOCK & MS ELIZABETH MARY POLLOCK	10,022,222	0.58%
20	MR GIORGIO FRANCIS KOTEFSKI	9,733,979	0.56%
TOTALS		842,432,231	48.88%

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.





DXN Limited (DXN) specialises in designing, manufacturing, and operating state-of-the-art data centres that are located in strategic locations to better serve the needs of users. We at DXN believe in pushing the boundaries of what traditional data centres can achieve, particularly when it comes to edge computing. As the premier vertically integrated data centre provider in the Asia-Pacific region, we offer both traditional data centre facilities and cutting-edge standalone prefabricated data centre solutions.

5 Parkview Dr,
Sydney Olympic Park
NSW 2127



1300 328 239
www.dxn.solutions